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Great Food Industries Sdn Bhd v Mazlan bin Mahamad Isa (t/a Perniagaan Idaman Murni) & Ors

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HIGH COURT (KUALA LUMPUR) — SUIT NO WA-221P-53–08 OF 2019
YUSRIN FAIDZ JC
16 FEBRUARY 2024

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Tort — Passing off — Damages — Quantum of — Plaintiff claimed against defendants for trademark infringement, passing off, conspiracy to injure and unlawful interference with trade — Plaintiff sought total sum of RM1,338,514.92 for loss of business profit, loss of goodwill, legal costs, aggravated damages and exemplary damages — Whether claim for damages should be allowed

D

A trademark infringement/passing off action was filed by the plaintiff against the first to sixth defendants ('D1 to D6'). Judgment in default of defence was entered against D1 while the action against D2, D4 and D5 was discontinued following an out-of-court settlement. The trial in respect of liability proceeded against D3 and D6 where it was held: (a) the plaintiff's claim against D3 and D6 for the infringement of, and/or causing D1 and D2 to infringe, the plaintiff's copyright for the plaintiff's trademark was dismissed; (b) the plaintiff's claim against D3 for passing off, conspiracy to injure the plaintiff and unlawful interference with the plaintiff's trade was allowed; and (c) the plaintiff's claim against D6 for passing off, conspiracy to injure the plaintiff and unlawful interference with the plaintiff's trade was dismissed. The plaintiff subsequently filed for assessment of damages wherein they sought a total sum of RM1,338,514.92 ie: (i) RM197,795.77 for loss of business profit; (ii) RM300,000 for loss of goodwill; (iii) RM440,719.15 for legal costs; (iv) RM200,000 for aggravated damages; and (v) RM200,000 for exemplary damages.

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Held:

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(1) The plaintiff's computation deviated from the accurate assessment of the 'loss of business profits' attributable to the diversion of the plaintiff's customers to the D3's purported nominee, D1. Further, there was no evidence that D3's infringing acts had caused the plaintiff's loss of business profit. There was no evidence of any sample or trap purchase of the alleged infringing product. The plaintiff testified that D1's alleged infringing product did not exist in the market and the plaintiff did not suffer any damages. Since there was no infringing product available in the market, it was not possible to derive to the computation to measure any

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diversion of the plaintiff's customer to the defendant. Therefore, the plaintiff's use of the plaintiff's sales figure alone would not be correct. The claim for damages related to the loss of business profit should be disallowed (see paras 19–21).

(2) Loss of goodwill was attached to the brand rather than the goods. Therefore, despite the absence of evidence demonstrating the sale of the infringing goods by D3 or his proxies, the plaintiff was legally entitled to loss of goodwill and exclusivity rights. The sum of RM80,000 was awarded under this head of damage (see para 28).

(3) For the legal costs incurred, on the issue of invoice Nos IN000702, IN000790 and IN000756, they originated from another suit and amounted to special damages which had to be specifically pleaded in the body of the statement of claim of the current suit. They were of a different category if compared with the legal costs to be awarded as part of an assessment of damages. The fact that the particulars were not pleaded in the body of the current suit defeated the claim. Invoice Nos IN000703 and 9128003745 was allowed as the exercise of the Anton Piller order was necessary in the discovery of D3's identity and involvement in the alleged conspiracy leading to the infringement of the plaintiff's mark. On the issue of invoice Nos IN000726, IN000835, IN000876, IN000911 and IN0001610, the same had nothing to do with D3 and therefore unclaimable (see paras 37–39).

(4) The injured feelings experienced by the plaintiff was just one facet to be considered in assessing aggravated damages. The crucial factor lied in whether the harm inflicted on the plaintiff had been intensified by malice or by the manner in which the injury was perpetrated – specifically, the insolence or arrogance accompanying it. Hence, the plaintiff was entitled to the aggravated damages. The amount of RM100,000 reflected the severity of the injury, taking into account the malice or insolence accompanying the wrongful conduct specific to the facts of this case (see para 62).

(5) What D3 did was to damage the value of the goodwill of the plaintiff's mark. The plaintiff's ability to enjoy the full extent of their goodwill was compromised by D3's use of the reputation or goodwill as he liked. Such unlawful use by D3 was damaging in the direct sense that it involved the promotion of D1's products under the guise that they were from the plaintiff. The insidious nature of D3's action was far from subtle, and it unquestionably ran counter to the public interest. The sum of RM100,000 as exemplary damages was adequate. Therefore, D3 was ordered to pay the plaintiff the total sum of RM492,783.96 as damages (see paras 69–71).

[Bahasa Malaysia summary

Tindakan pelanggaran cap dagangan/kelirupaan telah difailkan oleh plaintif terhadap defendan pertama hingga keenam ('D1 hingga D6'). Penghakiman ingkar pembelaan dibuat terhadap D1 manakala tindakan terhadap D2, D4 dan D5 telah dihentikan berikutan penyelesaian di luar mahkamah. Perbicaraan berkenaan dengan liabiliti diteruskan terhadap D3 dan D6 di mana ia telah diputuskan: (a) tuntutan plaintif terhadap D3 dan D6 untuk kelirupaan, dan/atau menyebabkan D1 dan D2 melanggar, hak cipta plaintif untuk cap dagangan plaintif telah ditolak; (b) tuntutan plaintif terhadap D3 untuk kelirupaan, konspirasi untuk mencederakan plaintif dan campur tangan yang menyalahi undang-undang terhadap perdagangan plaintif telah dibenarkan; dan (c) tuntutan plaintif terhadap D6 untuk kelirupaan, konspirasi untuk mencederakan plaintif dan campur tangan yang menyalahi undang-undang terhadap perdagangan plaintif telah ditolak. Plaintif kemudiannya memfailkan taksiran ganti rugi di mana mereka meminta sejumlah RM1,338,514.92 iaitu: (i) RM197,795.77 untuk kehilangan keuntungan perniagaan; (ii) RM300,000 untuk kehilangan nama baik; (iii) RM440,719.15 untuk kos guaman; (iv) RM2000,000 untuk ganti rugi teruk; dan (v) RM200,000 untuk ganti rugi teladan.

Diputuskan:

(1) Pengiraan plaintif menyimpang daripada penilaian tepat tentang 'kehilangan keuntungan perniagaan' yang boleh dikaitkan dengan pengalihan pelanggan plaintif kepada namaan berupa D3, D1. Selanjutnya, tiada keterangan bahawa perbuatan pelanggaran D3 telah menyebabkan plaintif kehilangan keuntungan perniagaan. Tiada keterangan sebarang sampel atau belian perangkap produk yang didakwa melanggar. Plaintif memberi keterangan bahawa produk D1 yang didakwa melanggar tidak wujud di pasaran dan plaintif tidak mengalami sebarang kerugian. Memandangkan tiada produk pelanggaran yang tersedia di pasaran, tidak mungkin untuk mendapatkan pengiraan untuk mengukur sebarang lencongan pelanggan plaintif kepada defendan. Oleh itu, penggunaan angka jualan plaintif sahaja oleh plaintif adalah tidak betul. Tuntutan ganti rugi yang berkaitan dengan kehilangan keuntungan perniagaan hendaklah tidak dibenarkan (lihat perenggan 19–21).

(2) Kehilangan nama baik dilampirkan pada jenama dan bukannya barangan. Oleh itu, walaupun tiada keterangan yang menunjukkan penjualan barang yang melanggar oleh D3 atau proksinya, plaintif berhak secara sah untuk kehilangan nama baik dan hak eksklusif. Jumlah RM80,000 telah diberikan di bawah bahagian ganti rugi ini (lihat perenggan 28).

(3) Bagi kos guaman yang ditanggung, mengenai pengeluaran invois

No IN000702, IN000790 dan IN000756, mereka berasal daripada saman lain dan berjumlah ganti rugi khas yang perlu diplid secara khusus dalam bahagian penyata tuntutan saman semasa. Mereka adalah kategori yang berbeza jika dibandingkan dengan kos undang-undang yang akan diberikan sebagai sebahagian daripada penilaian ganti rugi. Fakta bahawa butir-butir tidak diplid dalam bahagian saman semasa mengalahkan tuntutan itu. Nombor Invois IN000703 dan 9128003745 dibenarkan kerana pelaksanaan perintah Anton Piller adalah perlu dalam penemuan identiti dan penglibatan D3 dalam konspirasi yang didakwa membawa kepada pelanggaran cap plaintif. Mengenai isu No invois IN000726, IN000835, IN000876, IN000911 dan IN0001610, ia tiada kaitan dengan D3 dan oleh itu tidak boleh dituntut (lihat perenggan 37–39).

(4) Kecederaan perasaan yang dialami oleh plaintif hanyalah satu aspek yang perlu dipertimbangkan dalam menilai ganti rugi teruk. Faktor penting terletak pada sama ada kemudaratan yang ditimbulkan ke atas plaintif telah diperhebatkan oleh niat jahat atau oleh cara kecederaan itu dilakukan — khususnya, kesombongan atau keangkuhan yang mengiringinya. Oleh itu, plaintif berhak mendapat ganti rugi teruk. Jumlah RM100,000 menggambarkan keterukan kecederaan, dengan mengambil kira niat jahat atau kesombongan yang mengiringi kelakuan salah yang khusus kepada fakta kes ini (lihat perenggan 62).

(5) Apa yang D3 lakukan ialah merosakkan nilai nama baik cap plaintif. Keupayaan plaintif untuk menikmati sepenuhnya nama baik mereka telah terjejas oleh penggunaan D3 terhadap reputasi atau nama baik seperti yang dia suka. Penggunaan yang menyalahi undang-undang oleh D3 merosakkan dalam erti kata langsung bahawa ia melibatkan promosi produk D1 dengan berselindung bahawa ia adalah daripada plaintif. Sifat licik tindakan D3 adalah jauh dari halus, dan sudah pasti ia bertentangan dengan kepentingan awam. Jumlah RM100,000 sebagai ganti rugi teladan adalah memadai. Oleh itu, D3 telah diperintahkan untuk membayar plaintif jumlah keseluruhan RM492,783.96 sebagai ganti rugi (lihat perenggan 69–71).]

Cases referred to

AG Spalding Brothers v AW Gamage, Ltd (1915) 32 RPC 273, HL (refd)
Bullock v London General Omnibus Company and others [1907] 1 KB 264, CA (refd)
Carroll v Kynaston [2010] EWCA Civ 1404, CA (refd)
Chong Siew Chiang v Chua Ching Geh & Anor [1995] 1 MLJ 551, HC (refd)
Cockburn v Edwards (1881) 18 Ch D 449, CA (refd)
Collins Stewart Limited and another v The Financial Times Limited [2005] EWHC 262 (QB), QBD (refd)
Dormeuil Freres SA and another v Feraglow Limited and another [1990] RPC 449, Ch D (refd)

Eaton Mansions (Westminster) Ltd v Stinger Compania De Inversion SA [2013] EWCA Civ 1308, CA (refd)
General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd (1975) 1B IPR 713, HL (refd)
Guangdong Foodstuffs Import & Export (Group) Corporation v Tung Fook Chinese Wine (1982) Co Ltd and another HCA011061 A/1995 (unreported) (refd)
Hammond & Co v Bussey (1887) 20 QBD 79, CA (refd)
Kembang Serantau Sdn Bhd v YBK Usahasama Sdn Bhd [2017] MLJU 2165, HC (refd)
Koperal Zainal bin Mohd Ali & Ors v Selvi a/p Narayan (joint administrator and dependant of Chandran a/l Perumal, deceased) & Anor [2021] 3 MLJ 365, FC (refd)
Lau Yang Kim v Rescom Australia Sdn Bhd & Anor [2020] MLJU 105; [2020] MLRHU 388, HC (distd)
Leather Cloth Company v Hirschfield (1865) LR 1 Eq 299 (refd)
Leing Ti Kang v Lau Tian Kit and another case [2022] MLJU 1793, HC (refd)
Lembaga Kemajuan Tanah Persekutuan (FELDA) & Anor v Awang Soh bin Mamat & Ors [2009] 4 MLJ 610; [2009] 5 CLJ 1, CA (refd)
Lindsay Bowman Ltd, In re [1969] 1 WLR 1443, Ch D (refd)
Ling Peek Hoe & Anor v Ding Siew Ching & Ors [2022] 12 MLJ 658, HC (folld)
Lo Foi v Lee Ah Hong @ Lee Lum Sow & Ors [1997] MLJU 310, HC (refd)
MD Biomedical Engineering (M) Sdn Bhd v Goh Yong Khai [2021] 5 ML J 408, CA (refd)
Messenger Newspapers Group Ltd v National Graphical Association [1984] IRLR 397, QDB (folld)
Morris and others v Bank of India [2005] EWCA Civ 693, CA (refd)
OCBC Bank (Malaysia) Bhd v Prolink Marketing Sdn Bhd and another appeal [2023] MLJU 454; [2023] 3 MLRA 589, CA (refd)
Ong Ah Long v Dr S Underwood [1983] 2 MLJ 324; [1983] 1 MLRA 154, FC (refd)
Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd (1899) 16 RPC 209, CA (refd)
Prince Manufacturing Inc and another v ABAC Corporation Australia Ptv Ltd and another (1984) 57 ALR 159, FC (refd)
Public Islamic Bank Berhad v Fadhl Hussein Ishak Yassin Mansor; Ms Citajaya Sdn Bhd [2023] 2 MLRH 873, HC (refd)
Raub Australian Gold Mining Sdn Bhd v Mkini Dotcom Sdn Bhd & Ors [2018] 4 MLJ 209; [2018] 6 MLRA 388, CA (refd)
Rookes v Barnard [1964] 1 All ER 367, HL (folld)
Sadiah Ismail v Ong Suan & Anor [1999] 5 CLJ 250, HC (refd)
Sambaga Valli a/p KR Ponnusamy v Datuk Bandar Kuala Lumpur & Ors and another appeal [2018] 1 MLJ 784; [2018] 3 MLRA 488, CA (refd)
Sanderson v Blyth Theatre Company [1903] 2 KB 533, CA (refd)
Schwan-Stabilo Marketing Sdn Bhd & Anor v S&Y Stationery & Ors [2018]

MLJU 319; [2018] 9 CLJ 384, HC (refd)
Shah v Gale and Conjoined Cases [2005] EWHC 1087 (QB), QBD (refd)
Soo Kian Huat v Zenith Aim Sdn Bhd [2016] MLJU 869; [2016] 1 LNS 977, HC (refd)
Sunseekeers Pte Ltd v Joshua [1990] 2 MLJ 350; [1990] 3 CLJ Rep 979, HC (refd)
Sykt Faiza Sdn Bhd & Anor v Faiz Rice Sdn Bhd & Anor and another appeal [2018] MLJU 1749, HC (refd)
Tamileswaaran a/l Ravi Kumar v Election Commission of Malaysia & Anor [2023] 11 MLJ 159; [2023] MLRHU 623, HC (refd)
Tan Mei Li & Ors v Golden Regal Restaurant Sdn Bhd [2013] 1 LNS 364, HC (refd)
Taiping Poly (M) Sdn Bhd v Wong Fook Toh (t/a Kong Wah Trading Co) & Ors [2018] supp MLJ 312; [2011] 3 CLJ 837, FC (refd)
The Commissioners of Inland Revenue v Muller & Co's Margarine, Limited [1901] AC 217, HL (refd)
The United Horse-Shoe and Nail Co Ltd v John Stewart and Co (1888) 5 RPC 26, HL (refd)
Tradewinds Properties Sdn Bhd v Zulhkiple bin A Bakar & Ors [2019] 1 MLJ 421; [2019] 1 MLRA 238, CA (refd)
Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd [2007] 7 MLJ 193; [2007] 2 MLRA 274, CA (refd)
Yap Soo Ping & Anor v Kee Wah Soong [2018] MLJU 1449, HC (refd)
Yong Sze Fun & Anor (t/a Perindustrian Makanan & Minuman Layang-Layang) v Syarikat Zamani Hj Tamin Sdn Bhd & Anor [2012] 1 MLJ 585; [2012] 2 MLRA 404, CA (refd)

Legislation referred to

Civil Law Act 1956 s 8(2)(a)
Companies Act 1948 [UK] s 353(6)
Companies Act 2016 ss 207(5), 277(6), 279(6), 283(7), 305(1), 325, 540(1)
Courts of Judicature Act 1964
Rules of Court 2012 O 37, O 37 r 1, O 59

Sri Richgopinath (with Nur Muhaimin) (Joel & Mei) for the plaintiff.
Kok Pok Chin (with Ng Pau Chze) (PC Kok & Co) for the third defendant.

Yusrin Faidz JC:

INTRODUCTION

[1] This judgment concerned the quantum of damages that was awarded to the plaintiff in a trademark infringement/passing off action that it initiated against the third defendant ('D3'). The said judgment dated 23 October 2023

resulted in the appeal by both sides namely the appeal filed by D3 on 15 October 2023, and the cross-appeal filed by the plaintiff on 17 October 2023.

[2] Following an assessment of damages in accordance with a notice issued under O 37 r 1 of the Rules of Court 2012 ('the Rules'), I granted the total sum of RM492,783.96, along with costs of RM5,000, in favor of the plaintiff. My decision encompasses the following:

(a) with regards to loss of business profit, I held that the plaintiff is not entitled to this head of damage;

(b) with regards to loss of goodwill, I awarded the sum of RM80,000;

(c) with regards to legal costs incurred, I awarded the sum of RM212,783.96 (the allowed invoices are: IN000703, IN001181, IN001395, IN001414, IN001517 and 9128003745);

(d) aggravated damages in the sum of RM100,000;

(e) exemplary damages in the sum of RM100,000; and

(f) interest at 5%pa on the judgment sum to be calculated from 7 October 2022 until the date of full realisation.

[3] Essentially, D3 is appealing against part of my aforesaid decision, namely the RM80,000 awarded for loss of goodwill, the RM212,783.96 awarded for legal costs incurred, the RM100,000 awarded for aggravated damages, and the RM100,000 awarded for exemplary damages. Meanwhile, the plaintiff is cross-appealing against my decision to disallow compensation for their loss of profit, and the quantum awarded for legal costs, namely the reduced amount of RM212,783.96 for legal fees. This judgment is prepared for, and equally applies to, both appeals.

BACKGROUND FACTS

[4] This suit was filed against the first and second defendants ('D1' and 'D2')on 15 August 2019. On 17 January 2020, the plaintiff was allowed to include the third, fourth, fifth and sixth defendants ('D3'-'D6') as additional parties to this suit.

[5] The action against D2 was discontinued on 20 September 2019 following an out-of-court settlement. Judgment in default of defence was entered against D1 on 8 July 2020. Whereas the action against D4 and D5 was discontinued on 4 March 2022 following another out-of-court settlement.

[6] The trial in respect of liability therefore proceeded against D3 and D6

wherein on 7 October 2022, my predecessor held as follows:

(a) plaintiffs claim against D3 and D6 for the infringement of, and/or causing D1 and D2 to infringe, the plaintiff's copyright for the plaintiff's trademark was dismissed;

(b) plaintiff's claim against D3 for passing off, conspiracy to injure the plaintiff and unlawful interference with the plaintiff's trade was allowed; and

(c) plaintiffs claim against D6 for passing off, conspiracy to injure the plaintiff an unlawful interference with the plaintiff's trade was dismissed.

[7] Both the plaintiff and D3 filed an appeal against my predecessor's decision on the issue of liability; wherein the same is now pending before the Court of Appeal in Appeal No W-02(IPCv)(W)-2266–12 of 2022.

[8] The plaintiff subsequently filed for assessment of damages wherein they sought a total sum of RM1,338,514.92. This is based on paras 10 and 11 of my predecessor's judgment dated 7 October 2022 which reads as follows:

> (10) Satu siasatan tentang kerugian yang dialami oleh plaintif, atau menurut pilihan plaintif akaun keuntungan yang dibuat oleh defendan ketiga, daripada tindakan-tindakan kelirupaan, campur tangan perdagangan yang menyalahi undang-undang dan/atau konspirasi dengan niat untuk mencederakan plaintif ('conspiracy to injure'), dan membayar semua jumlah setelah mengambil kira siasatan tersebut kepada plaintif;
>
> (11) Gantirugi-gantirugi lain untuk ditaksirkan;

[9] As indicated above, I however approved the amount of RM492,783.96. The focus of the appeal and cross-appeal is solely on the assessment of damages, specifically addressing the principles applied in evaluating damages concerning the stated cause of action.

LOSS OF BUSINESS PROFIT

Counsels' contentions on loss of business profit

[10] The plaintiff's counsel, Sri Richgopinath, contends that the plaintiff is rightfully entitled to a loss of business profit amounting to RM197,795.77. It is argued that their calculation under this head of damage is based on the accepted accounting concept of 'loss of net profit' wherein they draw reference to the Federal Court's case of *Taiping Poly (M) Sdn Bhd v Wong Fook Toh (t/a Kong Wah Trading Co) & Ors* [2018] supp MLJ 312; [2011] 3 CLJ 837.

[11] To substantiate their claim, the plaintiff presented a comprehensive analysis of its sales, percentage progress of sales, and profit before tax, drawing from financial records spanning from 2016 to 2021. Specifically, the plaintiff asserts that their calculations indicate a 3.42% reduction in the average percentage progress of sales for the years 2020 to 2022. According to the plaintiff, this decline is attributed to the wrongful acts of passing off, conspiracy to injure, and unlawful interference with trade committed by D3 from 2019 to 2022. The plaintiff claims that calculation of the loss of business profit stems from this observed reduction.

[12] On the other hand, D3's counsel, Kok Pok Chin posits that the plaintiffs assertion of loss of business profit encompasses a period marked by the widespread impact of the Covid-19 pandemic. According to this argument, the reduction in percentage progress of sales is attributed to the Malaysian Government's imposition of various Movement Control Orders, significantly affecting numerous businesses. D3 contends that the impact of the Covid-19 pandemic can be judicially noticed, citing cases such as *Public Islamic Bank Berhad v Fadhl Hussein Ishak Yassin Mansor; Ms Citajaya Sdn Bhd* [2023] 2 MLRH 873 and *Tamileswaaran a/l Ravi Kumar v Election Commission of Malaysia & Anor* [2023] 11 MLJ 159; [2023] MLRHU 623.

[13] Additionally, D3 contends that the plaintiff did not incur any loss in business profit since the purported infringing product by D1 does not exist in the market; and the fact that the formula applied to calculate the loss of business profit is flawed as it did not follow the ratio in the case of *Taiping Poly (M) Sdn Bhd v Wong Fook Toh (t/a Kong Wah Trading Co) & Ors*.

Court's findings on loss of business profit

[14] In a proceeding involving trademark infringement and passing off, it is a well-established legal principle that the relevant approach in determining damages is to either to evaluate the profits gained by the infringing party or to grant damages reflecting the financial loss experienced by the plaintiff (see: *Dormeuil Freres SA and another v Feraglow Limited and another* [1990] RPC 449).

[15] The typical principal head of damage would be the loss of business profits arising from the redirection of the plaintiffs customers to the defendant due to the misrepresentation by the defendant (see: *Prince Manufacturing Inc and another v ABAC Corporation Australia Ptv Ltd and another* (1984) 57 ALR 159 and *Guangdong Foodstuffs Import & Export (Group) Corporation v Tung Fook Chinese Wine (1982) Co Ltd and another* HCA011061 A/1995 (unreported)).

[16] In *McGregor on Damages* (16th Ed), at paras 1947–1948 at pp 1261–1262, it is observed as follows:

> Little attention has been given to the assessment of damages despite the many cases of passing off in the reports. *Spalding v Gamage* and *Draper v Trist* are the only cases of importance. The principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation; beyond this, damages may be awarded for any loss of business goodwill and reputation resulting from the passing off. Damages under both these heads were held to be properly awarded in *Spalding v Gamage* (1918) 35 RPC 101, CA a result which has never since been doubted. *Draper v Trist* (1939) 3 All ER 513, CA dealt with a more complex situation where the defendant had passed off goods by selling them to middlemen, and there was no evidence that the middlemen resold. In these circumstances it was held that the plaintiff's loss of profits could not be a relevant consideration in assessing the loss but that the plaintiff was entitled to damages by reason of the presence of the deceptive goods on the market, damages which included a sum for loss of reputation. Also, the plaintiff should be able to recover for further loss of profits through reduction of his prices, provided that the reduction is necessary to compete with the goods passed off by the Defendant.

[17] The burden is on the plaintiff to prove the loss actually sustained by reason of the defendant's conduct. Damages for the infringement of intellectual property rights are tortious in nature; with the objective to restore the plaintiff to the position he would have been in had the defendant not infringed (see: *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* (1975) 1B IPR 713). In the case of *AG Spalding Brothers v AW Gamage, Ltd* (1915) 32 RPC 273, the plaintiff is entitled to 'such damages as naturally flow from their unlawful act, and that there is no artificial limitation in the case of a passing off action' (per Lord Parker of Waddington). It cannot also be presumed that the amount of goods sold by the defendant under an infringing trademark would have been sold by the plaintiff if not for the defendant's unlawful use of the trademark (see: *Leather Cloth Company v Hirschfield* (1865) LR 1 Eq 299). Speculative and unproven damage are also excluded (see: *The United Horse-Shoe and Nail Co Ltd v John Stewart and Co* (1888) 5 RPC 26 and *Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd* (1899) 16 RPC 209).

[18] In considering the arguments presented above, it appears logical to agree with D3's proposition that the claim for damages regarding loss of business profit should be disallowed. Firstly, I would agree to apply judicial notice and observe that the Covid-19 pandemic and the associated Movement Control Orders had a profound and direct impact on the food industry, leading to a reduction in sales or at least a reduction in percentage progress of sales due to restrictions on operations, changes in consumer behavior, and disruptions in the supply chain.

[19] Secondly, I observe that the plaintiff's computation deviates from the accurate assessment of the 'loss of business profits' attributable to the diversion of the plaintiffs customers to D3's purported nominee, D1. Elements such as the plaintiff's sale of products unrelated to the infringed goods, along with tax considerations, were not taken into account in their calculation. This is so as the five-year average sale of the infringed brand in the sum of RM4m represents a mere 14.8% of the plaintiff's five-year average revenue (income) of RM27m. This goes to show that the plaintiff was selling other brands of which statistics and particulars were not disclosed for the court's consideration.

[20] Thirdly, and more importantly, there is no evidence that D3's infringing acts have caused the plaintiff's loss of business profit. Based on the notes of evidence, the plaintiff has given evidence that D3 (through D1) has never sold any product containing the plaintiff's mark. There is no evidence of any sample or trap purchase of the alleged infringing product. The plaintiff also gave sworn testimony that D1's alleged infringing product did not exist in the market and the plaintiff did not suffer any damages. This can be seen in the testimony of plaintiff's witness which is reproduced as follows:

> KPC: Tapi sekarang barang itu tidak ada di pasaran jadi tak rugi apa-apa. Setuju?
>
> KHC: Ya
>
> ...
>
> KPC: ... Jadi, adakah kamu setuju Plaintif tidak mengalami apa-apa kerugian atau kehilangan kerana Plaintif, penjualan Plaintif semakin meningkat setiap tahun. Setuju?
>
> KHC: ... Pada masa sekarang belum lagi jadi ...

[21] Since there is no infringing product available in the market, it is not possible to derive to the computation to measure any diversion of the plaintiff's customer to the defendant following the ratio in *Taiping Poly (M) Sdn Bhd v Wong Fook Toh & Ors*; where the proper method of calculation for loss of business profit is based on the defendant's sales multiplied by the defendant's profit margin. This method is as expounded by the Court of Appeal in the case of *Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd* [2007] 7 MLJ 193; [2007] 2 MLRA 274 wherein the damages for passing off was calculated based on the defendant's sales and defendant's profit margin. Therefore, the plaintiff's use of the plaintiff's sales figure alone would not be correct. In fact, based on the evidence of the plaintiff's own witness there has been a rise in sales during the scrutinised period. Considering this evidence, I firmly believe that the claim for damages related to the loss of business profit should be disallowed.

A LOSS OF GOODWILL

Counsels' contentions on loss of goodwill

B **[22]** The plaintiff contends that they are rightfully entitled to a loss of goodwill of RM300,000. In support of this contention they rely on the case of *Taiping Poly (M) Sdn Bhd v Wong Fook Toh & Ors* wherein the Federal Court held that such loss of goodwill and reputation is presumed wherein the sum to be awarded is a matter of discretion. In that case, the sum of RM50,000 awarded by the High Court was affirmed by the Federal Court. The case of *Tan* C *Mei Li & Ors v Golden Regal Restaurant Sdn Bhd* [2013] 1 LNS 364 is relied to show that the sum of RM100,000 was awarded for loss of goodwill of a ten-year old business for an infringement lasting for a period of slightly over one year; an entitlement of which was held to be presumed following the ratio in *Taiping Poly (M) Sdn Bhd v Wong Fook Toh & Ors*. The cases of D *Schwan-Stabilo Marketing Sdn Bhd & Anor v S&Y Stationery & Ors* [2018] MLJU 319; [2018] 9 CLJ 384 and *Sykt Faiza Sdn Bhd & Anor v Faiz Rice Sdn Bhd & Anor and another appeal* [2018] MLJU 1749 were relied by the plaintiff to show that loss of goodwill awarded by court was in the sum of RM300,000 E and RM100,000 respectively.

[23] The plaintiff further argues that loss of goodwill and reputation should not be artificially limited with reference to the loss of business profit. In support of this, it is argued that the loss of goodwill awarded in *Taiping Poly (M) Sdn* F *Bhd v Wong Fook Toh & Ors* was RM50,000 despite the fact that the loss of business profit stood at RM32,726.70. Similarly, in *Tan Mei Li & Ors v Golden Regal Restaurant Sdn Bhd*, RM100,000 was granted as loss of goodwill despite the fact that the aggregate loss of profits only stood at RM45,698.75; wherein the award is said to be an exercise of the court's discretion.

G

[24] The plaintiff therefore argues that the sum of RM300,000 is justifiable to account for loss of goodwill for a seven-year old brand wherein the infringement and/or passing off occurred for a four-year period (2019–2022).

H

[25] D3's submission on the issue of loss of goodwill is straight forward in that in a situation where there are no infringing goods in the market the plaintiff cannot claim for loss of goodwill. The cases such as *Taiping Poly (M) Sdn Bhd v Wong Fook Toh & Ors* and *Tan Mei Li & Ors v Golden Regal Restaurant* I *Sdn Bhd* is argued to be distinguished on its facts as in both of these cases loss of business profit was awarded signifying existence of sale of infringing product.

Court's findings on loss of goodwill

[26] The crucial question at hand is whether the plaintiff is eligible for compensation for the loss of goodwill and business reputation, especially when the court has declined to award loss of business profit for the absence of infringing products.

[27] In the case of *Yong Sze Fun & Anor (t/a Perindustrian Makanan & Minuman Layang-Layang) v Syarikat Zamani Hj Tamin Sdn Bhd & Anor* [2012] 1 MLJ 585; [2012] 2 MLRA 404 the Court of Appeal elucidated the concept of 'goodwill,' referencing the House of Lords in *The Commissioners of Inland Revenue v Muller & Co's Margarine, Limited* [1901] AC 217:

> goodwill is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. (para 12)
>
> I understand the word 'goodwill' to include whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers, and agreed absence from competition ... (para 21)

[28] Whilst loss of business profit is directly linked to the sale of the infringing goods, loss of goodwill is attached to the brand rather than the goods. Therefore, despite the absence of evidence demonstrating the sale of the infringing goods by D3 or his proxies, my perspective is that the plaintiff is legally entitled to loss of goodwill and exclusivity rights. In exercising my discretion, the sum of RM80,000 is awarded under this head of damage.

[29] Considerations in determining this amount include the active participation of D3 in D1's registration of the plaintiff's NAYATI mark with MyIPO and D3's involvement in the registration of a domain name or website (www.nayati.com.my) incorporating the plaintiff's NAYATI mark. Such unlawful act of holding out coupled with the bad-faith registration at MYIPO via Trade Mark No 2018010845 which persisted for four years gave the impression that D1 (based on D3's actions) was, at the material time, the owner of the plaintiff's mark and brand, despite the contrary reality.

LEGAL COSTS INCURRED

Counsels' contentions on legal costs incurred

[30] On the issue of legal costs incurred, the plaintiff claims a total sum of RM440,719.15 being legal fees incurred by them in initiating the originating summons to remove the NAYATI mark wrongfully registered by D1, as well as the legal fees for the current writ which involves a total of six interlocutory applications that the plaintiff had to apply for and/or defend, amongst other, including the application for an Anton Piller order ('APO') and an application to amend the writ and statement of claim to reflect the new facts discovered

during the APO Raid and to include the D3 to D6 as parties. The following table summarises D3's claim, and those allowed by me:

NO	DATE	INVOICE NO	TOTAL (RM)	INVOICES ALLOWED
1	28 August 2019	IN000702	45,387.19	—
2	28 August 2019	IN000703	53,227.61	53,227.61
3	29 October 2019	IN000726	43,398.63	—
4	17 January 2020	IN000756	53,733.41	—
5	24 March 2020	IN000790	34,015.19	—
6	15 July 2020	IN000835	16,090.48	—
7	14 September 2020	IN000876	16,560.38	—
8	19 October 2020	IN000911	16,181.96	—
9	9 September 2021	IN001181	33,352.53	33,352.53
10	12 May 2022	IN001395	35,163.38	35,163.38
11	30 May 2022	IN001414	36,419.38	36,419.38
12	12 September 2022	IN001517	33,067.34	33,067.34
13	2 December 2022	IN001610	2,567.95	—
14	11 September 2019 (Deloitte Corporate Solutions Sdn Bhd)	9128003745	21,553.72	21,553.72
TOTAL SUM			440,719.15	212,783.96

[31] The plaintiff posits that based on the Court of Appeal's case of *MD Biomedical Engineering (M) Sdn Bhd v Goh Yong Khai* [2021] 5 ML J 408, the scope of legal costs does not encompass the costs of action, which are recoverable only upon the assessment of damages. Reference is also made to the cases of *Yap Soo Ping & Anor v Kee Wah Soong* [2018] MLJU 1449 and *Leing Ti Kang v Lau Tian Kit and another case* [2022] MLJU 1793 to support the argument that successful litigants are entitled to claim legal fees and charges as part of the damages assessment. It is argued that such loss ie legal fees incurred comes within the meaning of 'the tortious damage' and the 'foreseeability test' as defined in the case of *Lo Foi v Lee Ah Hong @ Lee Lum Sow & Ors* [1997] MLJU 310.

[32] Solicitors for D3 firstly argues that to allow plaintiff's claim costs as damages would make both the Courts of Judicature Act 1964 and the Rules of Court 2012 ineffective and redundant. It is argued that the lawyer's fees, costs

and charges should be claimed under O 59 of the Rules and not under O 37. Secondly, D3 submits that none of the invoices, which purportedly forms special damages, were pleaded in the plaintiff's statement of claim (see: *Lau Yang Kim v Rescom Australia Sdn Bhd & Anor* [2020] MLJU 105; [2020] MLRHU 388 and *Ong Ah Long v Dr S Underwood* [1983] 2 MLJ 324; [1983] 1 MLRA 154).

[33] Specific to the invoices before this court, D3 submitted as follows:

(a) invoice Nos IN000702, IN000756, IN000790 and IN000756 were related to another suit ie WA-24IP-9–05 of 2019 which does not involve D3. The said suit was filed by the plaintiff to have D1's registration of NAYATI mark at MYIPO (Trade Mark No 2018010845) cancelled. As such, D3 argues the legal fees of the cancellation suit against D1 should not be imposed on D3;

(b) invoice Nos IN000703 and 9128003745 were objected as it pertains to the Anton Piller order against D2; which has nothing to do with D3. In particular, the plaintiff had on 20 September 2019 withdrew their claim against D2 with no order as to costs;

(c) invoice Nos IN000726 and IN001610 were objected as it pertains to work in respect of D1 and D2; which has nothing to do with D3;

(d) invoice Nos IN000835, IN000876 and IN000911 were objected as they were incurred in respect of work conducted against D4 and D5. Based on the records the plaintiff had withdrawn their action against D4 and D5 with no order as to costs; and

(e) invoice Nos IN001181, IN001395, IN001414, and IN001517 were generated for the present lawsuit, falling within the purview of the taxation hearing as per the judgment dated 7 October 2022. This could result in a duplication of claims.

Court's findings on legal costs incurred

[34] In general, a party cannot recover costs of the action by way of damages. In *Cockburn v Edwards* (1881) 18 Ch D 449, Jessel MR held at p 459 that:

> The most important point is as to the costs as between solicitor and client. I am of opinion that it is not according to law to give to a party by way of damages the costs as between solicitor and client of the litigation in which the damages are recovered. The law gives a successful litigant his costs as between party and party, and he cannot be said to sustain damage by not getting them as between solicitor and client. I have conferred with my colleagues as to the damages, and we agree to fix them at £10.

[35] In *Kembang Serantau Sdn Bhd v YBK Usahasama Sdn Bhd* [2017]

MLJU 2165, the court held that legal fees are not claimable as part of the damages (see also: *Sunseekeers Pte Ltd v Joshua* [1990] 2 MLJ 350; [1990] 3 CLJ Rep 979 and *Carroll v Kynaston* [2010] EWCA Civ 1404). Legal costs of an action are distinct from damages (see: *Sadiah Ismail v Ong Suan & Anor* [1999] 5 CLJ 250 at p 252).

[36] The exception to the general principle was formulated in the case of *Hammond & Co v Bussey* (1887) 20 QBD 79, where the UK Court of Appeal held that legal costs incurred by plaintiff's defending proceedings brought by a third party (sub-buyer) could be recovered as damages from the defendant, on the basis that they were damages that were reasonably within the parties' contemplation as being probable as a result of the defendant's breach of contract:

> according to a reasonable business view of the reasonably probable course of business, the parties may be supposed to have contemplated, at the time when the contract was made, as the inevitable or at any rate the highly probable result of a breach of it, that there would be a lawsuit between the plaintiff's and their [sub-buyers], in which it would be reasonable for the plaintiff's to defend, and in which, if it turned out that there was a breach of the warranty, the plaintiff's would lose, and that they would thereby necessarily incur costs. Costs incurred under such circumstances appear to me to fall within the second branch of the rule in *Hadley v Baxendale*.

[37] On the issue of invoice Nos IN000702, IN000756, IN000790 and IN000756, I am of the view that the fact that they originate from another suit and amount to special damages which has to be specifically pleaded in the body of the statement of claim of the current suit. They are of a different category if compared with the legal costs to be awarded as part of an assessment of damages. The fact that the particulars are not pleaded in the body of the current suit defeats the claim. Secondly, I am guided by the finding of fact by my predecessor during the finding of liability wherein it is observed that D3 is not the mastermind behind the registration of the NAYATI mark by D1. It is also a finding of fact that 'the plaintiff's contention(s) are laced with assumptions and hearsay evidence, having relied on evidence unilaterally furnished by D1 in the OS Proceeding, which is a separate proceeding with this Suit' (see: para 42 of grounds of judgment dated 8 May 2023).

[38] I nevertheless allow invoice Nos IN000703 and 9128003745 as the exercise of the APO order was necessary in the discovery of D3's identity and involvement in the alleged conspiracy leading to the infringement of the plaintiff's mark. Despite not being identified as the mastermind, D3 was held to be involved in the conspiracy to injure and was found to have committed the tort of unlawful interference of trade against the plaintiff.

[39] On the issue of invoice Nos IN000726, IN000835, IN000876 IN000911 and IN001610, I am in agreement with D3's submission that the same have nothing to do with D3 and therefore unclaimable. Moreover, the plaintiff had decided to withdraw their claim against D2, D4 & D5 with no order as to costs. Based on the available records, my predecessor did not issue any *Sanderson* or *Bullock* costs order (co-defendant costs order) for me to apply in the current assessment proceeding (see: *Sanderson v Blyth Theatre Company* [1903] 2 KB 533, and *Bullock v London General Omnibus Company and others* [1907] 1 KB 264).

[40] On the issue of lack of pleading of those invoices which I allowed namely, invoice Nos IN000703, IN001181, IN001395, IN001414, IN001517 and 9128003745, I distinguish the case of *Lau Yang Kim v Rescom Australia Sdn Bhd & Anor* as relied by D3 on the basis that legal fees were rejected by the High Court as the order of cost was only for general damages. Hence it is proper for the court in that case to disallow the claim of legal fees as part of damages. Whilst the order of my predecessor pertains to a wider aspect which would include legal fees as damages that naturally flows out of D3's act of conspiracy to injure and unlawful interference with trade. As to the case of *Ong Ah Long v Dr S Underwood* relied by D3, the same pertains to the lack of pleading of special damages based on a personal injury claim wherein the entire issue was decided upon full trial without any separate assessment of damages being held. Whereas in our case, the issue of assessment of damages is being conducted separately wherein parties were directed to file affidavit evidence. In doing so, the exact particulars and amounts of legal fees sought by way of special damages were set out in the plaintiff's affidavit in support which was filed before the assessment of damages. Thus, D3 had the opportunity to respond to the plaintiff's claims.

[41] I am also in agreement with the decision of Su Tiang Joo JC in *Ling Peek Hoe & Anor v Ding Siew Ching & Ors* [2022] 12 MLJ 658. In that case the plaintiff's filed a suit for fraud, and obtained a judgment for special damages, general damages as well as punitive and exemplary damages to be assessed. In coming to the decision that the plaintiff's are entitled to claim legal fees, the High Court addressed, among others, the sub-issues of: (a) whether the plaintiff's can claim special damages for losses that were not specifically pleaded; and (b) whether legal fees are claimable. The High Court held that whilst it recognised the established principle that parties are bound by their pleadings, substantive justice will not be served to have the claim for special damages dismissed purely on the pleading point. The High Court also found that the judgment given is clear on what damages were awarded for purposes of assessment. Further, the High Court held that as assessment were taken in a separate procedure, the exact particulars and amounts sought by way of special damages were set out in the plaintiff's' affidavits which was filed before the

assessment of damages wherein documents were also bundled and exchanged. Thus, the defendants had the opportunity to respond to the claims.

AGGRAVATED AND EXEMPLARY DAMAGES

Counsels' contentions on aggravated and exemplary damages

[42] It is the submission of the plaintiff that D3 would have been fully aware of the plaintiff's goodwill and exclusive rights over the NAYATI mark; yet he had deliberately interfered with the full intention of injuring the plaintiff. It is argued that this fact shows malice or bad faith on the part of D3 which entitles the plaintiff to an award of aggravated damages in the sum of RM200,000. The case of *Rookes v Barnard* [1964] 1 All ER 367 is relied upon to wherein it is argued by the award of aggravated damages is proper in 'the class of case in which the injury to the plaintiff has been aggravated by malice or by the manner of doing the injury, that is, the insolence or arrogance by which it is accompanies'.

[43] A further sum of RM200,000 is argued by the plaintiff to be reasonable to account for exemplary damages. This is argued to be in line with the case of *Lembaga Kemajuan Tanah Persekutuan (FELDA) & Anor v Awang Soh bin Mamat & Ors* [2009] 4 MLJ 610; [2009] 5 CLJ 1 where it is held that exemplary damages would be ordered when the conduct of the wrongdoer discloses malice, cruelty, fraud, and insolence. The case of *Soo Kian Huat v Zenith Aim Sdn Bhd* [2016] MLJU 869; [2016] 1 LNS 977 is cited wherein Gunalan Muniandy, JC (as he then was) referred to the case of *Chong Siew Chiang v Chua Ching Geh & Anor* [1995] 1 MLJ 551, wherein Richard Malanjum, J (as he then was) held as follows:

> Before considering any exemplary damages it must be considered first whether the sum in mind for compensatory damages would be adequate. If it is not, in view of the outrageous conduct of the defendant and to indicate disapproval of such conduct and as a deterrence, and additional sum may be added to bring the sum sufficient as punishment.

[44] D3's counsel argues that the plaintiff as a corporate entity cannot claim aggravated damages. The cases of *Raub Australian Gold Mining Sdn Bhd v Mkini Dotcom Sdn Bhd & Ors* [2018] 4 MLJ 209; [2018] 6 MLRA 388, *OCBC Bank (Malaysia) Bhd v Prolink Marketing Sdn Bhd and another appeal* [2023] MLJU 454; [2023] 3 MLRA 589 and *Sambaga Valli a/p KR Ponnusamy v Datuk Bandar Kuala Lumpur & Ors and another appeal* [2018] 1 MLJ 784; [2018] 3 MLRA 488 are cited to argue that a company, as a corporate entity, can only recover general damages but not aggravated damages.

[45] In terms of exemplary damages, D3 argues that they are unfounded because D3 has never offered for sale or sold any product containing the plaintiff's mark. The case of *Tradewinds Properties Sdn Bhd v Zulhkiple bin A Bakar & Ors* [2019] 1 MLJ 421; [2019] 1 MLRA 238 is cited to argue that the present case belongs to the second category of cases warranting exemplary damages. In this category, such relief can only be awarded if it is demonstrated that the defendant has indeed realised a profit that surpasses the compensation owed to the plaintiff.

[46] D3 argues that in the current case, the plaintiff failed to prove that D3 have made a profit for themselves; a failure of which is fatal in the plaintiff's claim for exemplary damages.

COURT'S FINDINGS ON AGGRAVATED AND EXEMPLARY DAMAGES

[47] Aggravated damages fall within the compensatory framework and refer to the aggravation — etymologically, the making more serious — of injury caused to the plaintiff by the defendant's conduct where a basic award would be inadequate. In particular, they are ordered to compensate for the shock, distress, outrage and similar emotions experienced by the plaintiff as a result of the aggravating features of the case. Given the function of aggravated damages on the one hand and the nature of the plaintiff herein as a corporation, it would seem unprincipled for such an element to be available to the plaintiff.

[48] Although not a case on aggravated damages per se, *In re Lindsay Bowman Ltd* [1969] 1 WLR 1443, an action was brought by a contributory and a company to restore the company, which had been struck off, to the register. The relevant part of s 353(6) of the UK Companies Act 1948 reads: 'If *a company* or any member or creditor thereof *feels aggrieved* by the company having been struck off the register, the court on an application made by the company or member or creditor', may, among other things, order the name of the company to be restored to the register. Megarry J ruled:

> In obedience to Parliament, I must assume that the artificial and impersonal entity that we know as a limited company has been endowed with the capacity not merely of having feelings but also of feeling aggrieved even though it has ceased to exist.

[49] We have similarly worded sections in Companies Act 2016 which implies some form of feelings by a corporation. This can be seen, for example, in s 325 of the Act:

> 325(1) A company shall not be required to circulate a member's statement under section 324 if, on an application by *the company* or any person *who claims to be aggrieved,* the Court is satisfied that the rights conferred by section 323 are being abused to secure needless publicity or the matter is defamatory, frivolous or

vexatious or in the circulation would not be in the best interest of the company. (Emphasis added.)

[50] Similar reference of a company being considered 'aggrieved' can be seen in ss 207(5), 277(6), 279(6), 283(7) and 305(1) of the Companies Act 2016.

[51] I also refer to the effect of s 540(1) of the Companies Act 2016 wherein a company can be found liable for fraudulent trading based on the principle of attribution of knowledge of the persons involved in such fraudulent act. As per the English Court of Appeal case of *Morris and others v Bank of India* [2005] EWCA Civ 693, the 'attribution of knowledge' principle simply is that the knowledge of the individual person can be attributed as being the knowledge of the company, thereby rendering that the company itself can be sued as a body corporate under the fraudulent trading provision.

[52] *McPhearson's Law of Company Liquidation* (2nd Ed) states as follows:

> Unlike the wrongful trading provision, which states that only directors are liable, any persons who are knowingly parties to the fraudulent trading are potentially liable. While it is probable, certainly based on history, that most likely respondents to an action will be the directors and other officers of the company, with the executive directors being the primary candidate, *persons who are not involved in the running of the company might be liable*, although this will not, it is submitted, be a common occurrence. *Holding companies may be held liable if they are actively involved in the affairs of the subsidiary*, particularly where there was some active encouragement on the part of the holding company for the subsidiary to conduct its business in a fraudulent manner.
>
> Notwithstanding the fact that it is the directors of the company that is in liquidation that will be the usual respondents to any fraudulent trading case, *the provisions is in fact quite wide, as anyone who was knowingly a party to the carrying on of a business of a company with intent to defraud creditors can be the subject of proceedings, and this can include companies. The respondent does not have to be someone who performed a managerial or controlling role in the company in liquidation. In fact, the language of s 213(2) might point towards persons who were not employed by the company, but were in fact outsiders*. So, in fact, in *Gerald Cooper Chemicals Ltd, Re* [1978] 2 WLR 866 a creditor was held liable, and in *Morris v Bank of India* [2005] EWCA (Civ) 693, CA a bank was found liable. *Similarly, it has been said that a company or other entity that was involved in and assisted and benefited from the action that was fraudulent, and did so knowingly, could be a respondent. Outsider respondents need not know all of the details of any fraudulent action perpetrated by the company or how the fraud was to be carried out before they are held liable, provided that they knew, either from their own observations of what was being done or from what they were told, that the company was intending to carry out a fraud on creditors*. (Emphasis added,)

[53] If the statute permits for the attribution of knowledge to a company 'knowingly' involved in a fraudulent trading, is the imputation of 'aggrieved or

injured feelings on a corporate claimant is equally tenable when considering the company's state of mind in such matters? To me, the imputation of 'aggrieved' or injured feelings on a corporate claimant involves recognising or attributing a certain emotional state to the corporate entity. On the other hand, statutory provisions allowing for the attribution of knowledge to a company 'knowingly' involved in fraudulent trading focus on the company's awareness or understanding of its involvement in fraudulent activities. While both concepts involve some level of cognition, they operate in different domains — feelings in the emotional and subjective realm, and knowledge in the cognitive and factual realm.

[54] Then again, the existence of a reference to the state of mind of a corporate entity within the statutes, whether as a claimant or defendant, shows that the law recognises the significance of attributing mental states to corporations in order to establish responsibility, accountability, liability and possibly even injured feelings. This acknowledgment may be indicative of a legal framework evolving to encompass a more nuanced understanding of corporate behavior, blurring the traditional lines that separate the legal treatment of individuals and corporations in matters of intent and mental states.

[55] The case of *Shah v Gale and Conjoined Cases* [2005] EWHC 1087 (QB) lead one to question whether aggravated damages are truly confined to injury to feelings. This suit was initiated by the mother (and administratix) of Naresh Shah, who suffered an assault at his residence. The assailants forcefully entered the victim's home, subsequently inflicting multiple stab wounds upon him. Notably, aggravated damages were granted, notwithstanding the fact that the victim was subjected to immediate fatality. As Leveson J held:

> Because he was immediately murdered, there is no scope for injury to personality but it is difficult to think of behaviour which is more serious than the attack upon Mr Shah's home ... [T]hese aggravated damages are not being awarded in respect of the murder of Mr Shah but only for the circumstances in which he was assaulted and no more ... Notwithstanding that this incident was over very quickly, having regard to all the circumstances, I award £2,000.

[56] Similarly in *Koperal Zainal bin Mohd Ali & Ors v Selvi a/p Narayan (joint administrator and dependant of Chandran a/l Perumal, deceased) & Anor* [2021] 3 MLJ 365, the Federal Court did not rule out the defendants' potential liability for aggravated damages for the death of the plaintiff. In this instance, the Federal Court substituted the initially awarded exemplary damages (which was barred by s 8(2)(a) of the Civil Law Act 1956) with aggravated damages, even though the plaintiff passed away five days after being arrested. Rhodzariah Bujang FCJ cited *McGregor on Damages* (19th Ed) at p 1653 which states as follows:

> Aggravated damages come into the picture where the injury to the claimant's feelings is increased by the flagrancy, *malevolence and the particularly unacceptable nature of the assaulting defendant's behaviour*. (Emphasis added.)

[57] Therefore, relying on the aforementioned cases, it cannot be asserted that aggravated damages are contingent solely upon mental state. The courts seem undeterred from awarding aggravated damages, even in situations where the plaintiff experiences minimal or brief distress.

[58] In the case of *Messenger Newspapers Group Ltd v National Graphical Association* [1984] IRLR 397, the English Court of Appeal was directly faced with the question of whether an award of aggravated damages was appropriate to a corporate claimant. The case was one on unlawful interference with business, nuisance (both private and public) and intimidation. Caulfield J stated:

> Certainly exemplary and aggravated damages can be awarded against inanimate legal entities like limited companies, and I cannot see any reason why the same legal entities cannot be awarded aggravated and exemplary damages.

[59] He thus ruled in favour of an award, having regard to the fact that it was companies generally — though not invariably — that were the sort of claimants that suffered damage from intimidation by trade unions and — invariably — unlawful interference with business.

[60] In addition, Caulfield J pointed to the fact that the defendant was reckless in pursuit of its intentions to close down the claimant's business and/or enforce a closed shop, and this it did in defiance of court orders and with open arrogance. In calculating the aggravated amount due, Caulfield J approached the question of quantum from the perspective of 'the manner of the doing of the injury' and proceeded to award £10,000 in aggravated damages but not without first having 'eliminated human feelings' from his award thus supporting the argument that corporations do not have feelings.

[61] There is nevertheless a conflicting English Court of Appeal decision in *Eaton Mansions (Westminster) Ltd v Stinger Compania De Inversion SA* [2013] EWCA Civ 1308 which held that a company could not recover aggravated damages. In doing so the court held that *Messenger Newspapers Group Ltd v National Graphical Association* had, in this regard, been wrongly decided (see also: *Collins Stewart Limited and another v The Financial Times Limited* [2005] EWHC 262 (QB)).

[62] I believe that the injured feelings experienced by the plaintiff is just one facet to be considered in assessing aggravated damages. The crucial factor lies in whether the harm inflicted on the plaintiff has been intensified by malice or by

the manner in which the injury was perpetrated — specifically, the insolence or arrogance accompanying it. Hence, applying the approach of the English Court of Appeal in *Messenger Newspapers Group Ltd v National Graphical Association*, I am of the view that the plaintiff herein is entitled to aggravated damages. I rule that the amount of RM100,000 reflects the severity of the injury, taking into account the malice or insolence accompanying the wrongful conduct specific to the facts of this case.

[63] As to exemplary damages, Lord Devlin in the case of *Rookes v Barnard* propounded two categories of circumstances where exemplary damages could be awarded:

(a) oppressive, arbitrary or unconstitutional action by the servants of the government; and

(b) cases where defendant's conduct had been calculated by him to make a profit for himself which may well exceed the compensation payable to the plaintiff.

[64] The claim for exemplary damages by the plaintiff in our case falls in the second category, wherein the central issue is whether the plaintiff has to prove that D3 had actually profited from the tort before exemplary damages can be awarded. It is D3's position that since the plaintiff was unable to prove sale and availability of the infringing product in the market, there is no actual proof that D3 had profited from the tort of passing off, conspiracy to injure, and the unlawful interference with the plaintiff's trade.

[65] It is observed that although the Federal Court in the case of *Tradewinds Properties Sdn Bhd v Zulhkiple A Bakar & Ors* held that 'in claiming exemplary damages under the second category, the plaintiff must be able to prove that the defendants have made a profit for themselves', the source of the Federal Court's observation is the dicta of Lord Devlin in *Rookes v Barnard*. Therefore, the relevant judgment of Lord Devlin is repeated herein to provide a comprehensive understanding of its context:

> (ii)(a) English law recognised the awarding of exemplary damages, that is, damages whose object was to punish or deter and which were distinct from aggravated damages (whereby the motives and conduct of the defendant aggravating the injury to the plaintiff would be taken into account in assessing compensatory damages); and there were two categories of cases in which an award of exemplary damages could serve a useful purpose, viz., in the case of oppressive, arbitrary or unconstitutional action by the servants of the government, and in the case *where the defendant's conduct had been calculated by him to make a profit for himself, which might well exceed the compensation payable to the plaintiff.* (Emphasis added.)
>
> (p 369, letters B & C)

[66] In this context, it is evident that a plaintiff is not required to establish that the defendant has definitively gained from the tort. The use of the phrases 'had been calculated' and 'might well exceed' indicates that the plaintiff's obligation is only to demonstrate the likelihood that D3 could benefit from the committed tort.

[67] Further, the following passage of Lord Devlin's judgment in *Rookes v Barnard* is instructive as to the scope of the second category of cases under exemplary damages:

> Where a defendant with a cynical disregard for a plaintiff's rights *has calculated* that the money to be made out of his wrongdoing *will probably exceed* the damages at risk, it is necessary for the law to show that it cannot be broken with impunity. *This category is not confined to moneymaking in the strict sense. It extends to cases in which the defendant is seeking to gain at the expense of the plaintiff* some object, — perhaps some property which he covets, — which either he could not obtain at all or not obtain except at a price greater than he wants to put down. Exemplary damages can properly be awarded whenever it is necessary to teach a wrongdoer that tort does not pay. (Emphasis added.)
>
> (p 410, letter I and p 411, letter A).

[68] Firstly, the use of the phrases 'has calculated' and 'will probably exceed' underscores that the plaintiff's burden is merely to demonstrate the potential for profit, rather than the actual realisation of profit. Secondly, the second category of cases is not limited to strict monetary gains. As per Lord Devlin's perspective, it encompasses situations where the defendant is actively attempting to benefit at the expense of the plaintiff. This interpretation is applicable to our case, where D3 has taken actions beyond mere preparation, aiming to achieve the intended outcome of capitalising on the goodwill associated with the plaintiff's NAYATI mark.

[69] I am of the view that what D3 did was to damage the value of the goodwill of the plaintiff's mark. Instead of benefiting from exclusive rights to their property, the plaintiff found that D3 was squatting on it. The plaintiff's ability to enjoy the full extent of their goodwill is compromised by D3's use of the reputation or goodwill as he likes. As the plaintiff had been using the NAYATI mark for seven years prior to the infringement, they had required valuable reputation or goodwill wherein the law of passing off will protect it from unlicensed use and the bad-faith registration by D3 (through D1) who mistakenly believed that our legal system adheres to the first-to-file principle.

[70] Such unlawful use by D3 is damaging in the direct sense that it involved the promotion of D1's products under the guise that they are from the plaintiff. From the evidence, the plaintiff had to endure four years of litigation to remove the bad-faith registration of their NAYATI mark at MYIPO. The evidence also

reveals that D3 placed an order for packaging stickers bearing the NAYATI mark from D2, with the intention of applying them to D1's product. The insidious nature of D3's action is far from subtle, and it unquestionably runs counter to the public interest. Therefore, I am of the view that the sum of RM100,000 as exemplary damages is adequate to teach D3 that tort does not pay.

DECISION

[71] After considering the facts and circumstances presented in the affidavit evidence, it is therefore ordered that D3 shall pay the plaintiff the total sum of RM492,783.96 as damages with interest at 5%pa on the judgment sum to be calculated from 7 October 2022 until full realisation; together with costs of RM5,000.

Order accordingly.

Reported by Nabilah Syahida Abdullah Salleh